

Aide-Memoire: Te Pūkenga quarterly monitoring report – March 2021 Quarter

To:	Hon Chris Hipkins, Minister of Education
From:	Gillian Dudgeon, Deputy Chief Executive – Delivery, Tertiary Education Commission
Date:	14 June 2021
Reference:	AM-21-00324




Purpose



- This aide-memoire provides an assessment of Te Pūkenga’s performance following receipt of its quarterly report for the March 2021 quarter. It also takes into account information received since Te Pūkenga submitted its quarterly report at the end of April 2021 to provide the most up-to-date picture possible.

Overview – RAG Status

Key:

- Low risk
- Medium risk
- High risk – plan required to get back on track

-  Improved since previous quarter
-  Unchanged since previous reporting period
-  Worsened since previous quarter

Work stream or focus area	Our assessment of where Te Pūkenga should be	Current assessment	Commentary
Operating model			High-level service design concepts for the operating model will be consulted on over June/July 2021 with a draft of the full operating model due to be completed in September 2021. Significant challenges exist to manage the extensive planned engagement with stakeholders within a short period of time and to translate that into a model which is affordable and achievable. We have concerns about the scope of the operating model work stream in that it does not cover detailed organisational design or structure, and that significant work will be required following the design of the operating model to deliver an implementation plan. This also creates timing risks and issues for other Te Pūkenga projects which are dependent on the development of the operating model.
TITO Transitions			Te Pūkenga has agreed term sheets with Competenz, Connexis and BCITO. All three TITOs plan to transition all, or the large majority, of their arranging training activity into Te Pūkenga by October 2021. With the initial transition being a 'lift and shift', major benefits will not be realised until later years. There is considerable work required to plan how its Work-Based Learning subsidiary and the former ITP subsidiaries begin to operate as a single network and align their functions (e.g. industry engagement). On a positive note, Te Pūkenga and TWoA have recently signed an MoU to work together to deliver vocational education, outlining that arranging training functions transferred from TITOs to Te Pūkenga could be delivered by the two organisations together or transferred to TWoA to deliver at a later date.

Capital asset strategy		➔	Following the extensive assessment of the network’s current state, an interim capital asset management strategy focussed on the next one to three years is currently being finalised. This is expected to identify a list of high-priority short-term projects by July 2021. Other initiatives are also being implemented to lift capability. A longer-term capital asset strategy will not be available until 2022 following the completion of the operating model design. An understanding of TITO assets and future requirements will need to input into this work.
Māori partnerships and equity		➔	Te Pūkenga has continued work on embedding Te Pae Tawhiti (its Tiriti Excellence Framework) and how best-practice initiatives across its network can be adopted by other subsidiaries and inform the development of the operating model. Equity network groups are being established and the development of a Māori Advisory Committee is underway. An agreement between Mātauranga Iwi Leaders Group and Te Pūkenga was signed on 2 June 2021, committing the partners to give effect to Te Tiriti as Te Pūkenga is transformed.
Network collaboration		⬆	Some early signs of increased collaboration are becoming evident. Te Pūkenga is reporting increased sharing of programmes and teaching and learning resources across its network. Plans are also being developed to move to a common set of unified programmes over a five year period. Te Pūkenga needs to continue to identify and implement initiatives that support changing the culture from competition to collaboration. These initiatives need to target all areas and all levels of the network.
Financial performance		➔	As at the end of March 2021, revenue was \$14.7 million higher than budget due to higher than expected domestic enrolments. 9(2)(b)(ii), (i) and (j) [REDACTED] Across the group, cash levels remain strong. However, Te Pūkenga has recently needed to provide cash support to TPP to allow it to meet its operating costs. Te Pūkenga need to continue to drive improved financial performance across the network. It is integral a plan is put in place alongside the new operating model to improve overall financial sustainability.
Enrolments		➔	Te Pūkenga total EFTS rose by 6.8 percent between April 2020 and April 2021. This was driven by a 19.2 percent increase in SAC and YG funded EFTS, partially offset by a 57.2 percent decline in full-fee international EFTS. The TEC has recently provided an additional \$33 million in SAC funding to Te Pūkenga to respond to the increased demand. Even with this additional funding, Te Pūkenga is expecting to use all of the 3 percent flexible funding and it may seek further additional funding later in the year.
Reporting		➔	Te Pūkenga’s latest quarterly report provided a much more comprehensive update on its recent activity. It also included targets for the 2021 year. However, it has not yet developed an integrated and sufficiently detailed transformation roadmap. As such, while Te Pūkenga is clearly very busy, it is difficult to assess whether its overall work programme is on track and that the activities planned in the short-term will achieve medium and long-term targets. Development of an integrated and sufficiently detailed transformation roadmap will demonstrate a sufficient understanding of how all activities that need to occur over coming years contribute to achieving an integrated national network of delivery. This will improve reporting. Further work is also needed on risk reporting, which Te Pūkenga is currently working on improving.
Management		➔	9(2)(g)(i) and (ii) [REDACTED] We also consider it is important for Te Pūkenga to be clear on who is the owner of the overall transformation on the leadership team, bringing together all parts of the transformation programme.
Governance		➔	Recent Council papers have shown an increased focus on strategic issues. However, there remains a lack of integrated reporting to the Council on Te Pūkenga’s transformation programme and there are signs in the Council papers that this is a number of months away. Section 9(2)(g)(i) [REDACTED] We understand the Council is amending its meeting schedule to ensure there is sufficient time for strategic issues and managing interdependencies. Council may also want to review its committee structure. Finally, improved reporting is needed on identifying and managing risks, which we understand will be an increased focus over coming months.

Overview of Te Pūkenga’s quarterly reporting

Te Pūkenga’s reporting has improved...

2. Te Pūkenga’s report for the March 2021 quarter was its first attempt at providing a comprehensive report on its activities and performance. Te Pūkenga assessed its overall status as ‘*green – on target*’. The full report is attached to this aide-memoire for your information.
3. In our last monitoring report (AM-21-00173 refers) we noted that Te Pūkenga had not yet developed an appropriate set of targets and milestones as required by the Crown funding agreement. In its quarterly report for the March 2021 quarter, Te Pūkenga outlined a range of targets for 2021 across its various work streams. This included specific milestones it is seeking to achieve in the next quarter.

...but it does not provide assurance that its work programme is on track...

4. While the development of targets is pleasing, it is difficult to establish how these targets fit into a wider plan. The quarterly report shows that Te Pūkenga is very busy and there is significant activity occurring across all of its key work streams. However, it does not provide a coherent story on why these are the right activities to be doing, how they fit into a wider plan, and whether this will achieve the sought outcomes in the required timelines.
5. In particular, Te Pūkenga’s critical roadmap included in its quarterly report is at a high level and does not provide enough detail on what activities need to occur by when. As such, it is very difficult for stakeholders, including the TEC as monitors, to have confidence that Te Pūkenga’s work programme is on track and that the activities planned in the short-term will meet the legislative requirements by 31 December 2022 (e.g. the cessation of subsidiaries and transition of all TITOs) as well as the medium and long-term desired benefits.

...and further clarity is needed on how its transformation programme is being managed...

6. Te Pūkenga has been tasked with a massive network design and transformation with a lot of moving parts. Success is more likely if all of the transformation work is joined up from governance to management to implementation, based on a best-practice model. We consider that Te Pūkenga need to be clear on:
 - The scope of what is considered ‘transformation’ and will contribute to a new integrated network of delivery;
 - How the transformation is being governed, planned, and managed and making this fit-for-purpose for such a large and complex transformation; and
 - How the different components of the transformation work fit together, how the change over time will occur, and how activities should be managed in relation to each other.
7. We continue to have concerns that Te Pūkenga’s nine work streams are being worked on as individual projects rather than being part of a larger, integrated work plan that has integrated milestones. For example, we would want to see how the work on Employer Journey and Experience is linked to the Learner Journey and Experience work stream and integrated into the development of the operating model and a capital asset strategy. We would also want to understand how these work streams link with the transition of arranging training into Te Pūkenga and how they will be integrated.

...which will assist to improve reporting in the future...

8. We have been engaging with Te Pūkenga on our concerns in this area and offered assistance. It is crucial that Te Pūkenga urgently identifies how it will bring all of the different parts of its transformation together and that it prioritises the development of a more detailed integrated roadmap over time. Once this work is undertaken, we consider the quarterly report

will be able to tell the story in a richer and clearer way, and provide assurance that its overall work programme is on track. Recent Council papers suggest this work is beginning to be undertaken but it may still be a number of months away.

...and while Te Pūkenga is making progress in a number of key areas...

9. It is clear that activity has ramped up over 2021 and that change is occurring across a number of areas. Progress is being made on the transition of arranging training functions from the early mover TITOs while work on the operating model is progressing and early concepts are about to be consulted on. There are also early signs of increased collaboration occurring across the network. This is all occurring while Te Pūkenga continue to manage a significant increase in enrolments this year.

...we do not agree with Te Pūkenga's overall assessment of performance

10. We do not agree with Te Pūkenga's overall assessment that its work programme is '*green – on target*' given the wide range of risks that it is facing; that a significant amount of Crown implementation funding remains unspent; and that a detailed and integrated roadmap has yet to be developed. We consider the ratings throughout the quarterly report – which were largely green, with some amber, and no red – suggests a lack of acknowledgement of the risks facing Te Pūkenga and its transformation programme. It also does not provide assurance that the necessary actions and mitigations are being made in response to these risks. There was a particular disconnect between the executive summary of the report and our assessment of Te Pūkenga's progress.
11. We have discussed this issue with Te Pūkenga, particularly with regards to risk identification and management. Te Pūkenga has noted that it has recently developed a risk management framework and work is underway to identify Te Pūkenga's key risks and the appropriate mitigations. We expect risk reporting to improve in the next quarterly report.

Delivery of transformation work programme

Work on the new operating model is progressing...

12. Te Pūkenga and EY have been developing a new operating model since the end of 2020. A co-design approach has been taken which has focused on understanding the experiences of users in the current system to assist in the design of a future state which better meets the needs of users and stakeholders, and builds on best-practise within the current network. Through the development of the operating model, there has been a strong focus on partnering with Te Tiriti partners.
13. Te Pūkenga has recently developed draft service concepts – which are new or different services that could transform the experience of employers and outcomes for learners currently underserved in the system. This will feed into the high-level conceptual design of the operating model, which is due to be completed and signed off by Council at the beginning of June 2021. Te Pūkenga then plan to undertake stakeholder engagement on the high-level conceptual design over the month of June as part of a wider engagement roadshow.

...although we consider there are a number of risks...

14. A draft of the full operating model is due to be completed at the beginning of September 2021, which will be consulted on before being finalised over November and December. We consider there are significant risks to these timelines given the enormity of the task and the co-design approach being taken. There are challenges to manage the extensive planned engagement with stakeholders within a short period of time and to then translate that into a model which is affordable and achievable.
15. We also consider it may be difficult for some to engage on the operating model given it will not include detailed organisational design, organisational structure, roles and responsibilities,

or a strategy/business plan. This work will need to be driven by Te Pūkenga alongside the operating model work stream. Te Pūkenga had originally planned to develop a new organisational strategy based off the operating model by the end of the year. However, it has now brought this timetable forward and expects to have a draft strategy completed by the end of June 2021. It is important to engage existing staff on what the first stage of the operating model is and is not, and what the next stage is, so as to set and manage expectations.

...and work needs to accelerate on the Programme Business Case...

16. Following the finalisation of the operating model, a Programme Business Case (PBC) is expected to be submitted to you in December 2021. The PBC requires Te Pūkenga to bring together all of the different projects and work streams and provide clear guidance on how its work programme will be managed and governed and deliver the proposed benefits.
17. Te Pūkenga note that a transformation plan will be developed as part of the PBC based on the design of the operating model. The implementation of the transformation plan will then be initiated in 2022. How quickly the transformation is implemented and what is prioritised will be articulated in the PBC, potentially with some options around the speed of transformation. As you are aware, the Education and Training Act 2020 requires all previous ITP subsidiaries and TITOs to cease by the end of 2022.
18. Considerable work is needed to ensure the delivery of a high-quality PBC to you by the end of the year. Foundational elements of the PBC – such as the Investment Logic Map – are still being developed and there are concerns around whether Te Pūkenga will be able to bring all of its work streams together as an integrated programme. Finally, Te Pūkenga will need to provide the indicative costs required to deliver the programme. There is a risk that there will not be sufficient time or detail from the various work streams to provide the required financial information.

...with three TITOs due to transfer arranging training into Te Pūkenga by October 2021...

21. Te Pūkenga has agreed term sheets with Competenz, Connexis and BCITO. Subject to TEC Board approval of the transition plans, all three TITOs will transition the large majority of their arranging training activity into Te Pūkenga between August and October 2021. Further work is being undertaken with MITO, with a target transition date of 31 December 2021.
22. The arrangements between the three early mover TITOs and Te Pūkenga will essentially result in the 'lift and shift' of arranging training capability and systems from the TITO into Te Pūkenga's Work-Based Learning (WBL) subsidiary. Each TITO will be a separate business unit of WBL. While this approach minimises transition risks, it increases the risk that there is minimal integration with the rest of the Te Pūkenga network. Indeed, as part of the transition, mechanisms have been agreed that specifically limit integration with Te Pūkenga. Following the development of its operating model, there will be considerable work required to plan how WBL and the former ITP subsidiaries begin to operate as a single network of provision. There is a risk that this delays the implementation of the operating model and the subsequent changes to organisational structure.
23. In early May 2021, Te Pūkenga and Te Wānanga o Aotearoa (TWOA) signed a Memorandum of Understanding to work together to deliver vocational education. This could potentially mean any arranging training functions transferred from TITOs to Te Pūkenga be delivered by the two organisations together or transferred to TWOA to deliver at a later date. Te Pūkenga has facilitated and progressed this work well.

...and the capital asset strategy work stream continues to progress well...

24. As reported last quarter, KPMG has undertaken a comprehensive physical site assessment of the subsidiaries. This provides Te Pūkenga with a consistent evidence base to make informed decisions with regards to its future capital needs.

25. An interim capital asset management strategy, focussed on the next one to three years, is currently being finalised. This is expected to identify a list of high-priority short-term projects by the end of July 2021. These projects will be prioritised based on three criteria – compliance issues (e.g. seismic or legislative), network optimisation (taking a network view of existing assets and expected future demand), and collaboration (prioritising investment based on the use of partner facilities to deliver outcomes for learners). The interim strategy also identified two projects to implement in the short-term to lift asset management capability. This included an investment governance framework to guide future capital investments and a portfolio seismic strategy to provide consistent, network-wide policies.
26. By early 2022, Te Pūkenga expect to have developed its 10-year capital asset management strategy. However, this is highly dependent on the design of the operating model and progress on its implementation plan. It will also require an understanding of TITO assets and future requirements. Early indications are that Te Pūkenga is aiming for a project business case to be submitted to you in early 2022 seeking Crown funding to assist in the delivery of this strategy.

...while network collaboration appears to be increasing

27. There appears to be some progress being made on increasing collaboration across the network. In particular, Te Pūkenga note there has been increased sharing of programmes as well as teaching and learning resources across the network. Te Pūkenga has also begun planning to simplify its current portfolio of delivery so that there is one programme per qualification that supports, and allows for, a range of delivery modes. This transition to simplify the portfolio is expected to begin in 2022 and involve change for five years.
28. Te Pūkenga has seconded a number of a staff from the network to work on key projects (e.g. information systems, data analytics, learner journey) which is increasing collaboration and the sharing of knowledge and ideas. Work is also ongoing to establish where there are existing areas of excellence, with best-practise then being shared with the rest of the network.
29. These are pleasing early steps. Te Pūkenga needs to continue to identify and implement initiatives that support changing the culture from competition to collaboration. These initiatives need to target all areas and all levels of the network, including its WBL subsidiary. The culture change will be a slow process and any gains made now will assist in the implementation of the new operating model.

EFTS and financial performance

Enrolments at Te Pūkenga have risen strongly over 2021...

30. Te Pūkenga EFTS rose by 6.8 percent (3,135 EFTS) between the April 2020 and April 2021 Single Data Return. This was driven by a 19.2 percent increase (6,946 EFTS) increase in SAC and YG funded EFTS, which was partially offset by a 57.2 percent decline (4,100 EFTS) in full-fee international EFTS.
31. All subsidiaries reported an increase in SAC and YG funded EFTS, with Open Polytechnic and Unitec both reporting increases over 1,000 EFTS compared to a year ago. The increase in domestic EFTS has been larger than the decline in international EFTS for all subsidiaries except for MIT, Wintec and Toi Ohomai.
32. The TEC has recently provided an additional \$33 million in SAC funding to Te Pūkenga in response to the increased demand. Te Pūkenga will decide how it wishes to allocate this funding across its subsidiaries. It will also need to ensure strong systems and processes are in place so that the significant increase in learners are supported to succeed.

...with financial performance ahead of budget

33. As at the end of March 2021, revenue was \$14.7 million higher than budget due to higher than forecast domestic enrolments. 9(2)(b)(ii), (i) and (j)
34. 9(2)(b)(ii), (i) and (j). This is forecast to fall to \$242 million at year end (the lowest cash point for TEIs). Through its group treasury function, Te Pūkenga has recently provided cash support to Tai Poutini Polytechnic Limited to assist it to meet its operating costs over coming months. This highlights one of the key benefits of the creation of Te Pūkenga, as previously this cash support would need to have been sought from the Crown.
35. As noted in our previous report, the Te Pūkenga parent reported a large surplus in 2020 as only \$8.3 million of the \$33 million of Crown establishment and transformation funding provided for 2020 was spent. For the March 2021 quarter, \$3.3 million of the \$7 million in Crown funding was spent. Te Pūkenga has attributed this to delays to work programmes, which suggests an acceleration in activity is needed for the remainder of 2021. It also suggests that Te Pūkenga needs to increase staffing levels and resource to ensure it can effectively deliver on its large transformation programme.

Council and management performance

Te Pūkenga's management team is still coming up to speed...

36. Section 9(2)(g)(i)
- While the leadership team is clearly capable and experienced, they are still getting up to speed with how the sector operates and the size of the transformation required. Given the wide range of changes that need to be made and the tight timelines, this undoubtedly represents a risk for the organisation. The TEC is supporting Te Pūkenga's management team as much as possible. However, Te Pūkenga will need to assess whether it has any areas where it lacks capability and implement a plan to address these gaps – either through using existing capability across the network or external resource.
37. We also consider it is important for Te Pūkenga to be clear on who is the owner of the transformation on the leadership team, with that person charged to bring together all parts of the transformation programme. Te Pūkenga has informed us that the leadership team has been tasked with taking a collective approach to leading the transformation.

...and Te Pūkenga needs to ensure its governance structures are appropriate

38. As highlighted earlier, we continue to have concerns that there is no overall transformation programme plan or detailed critical path with reporting provided against that critical path and programme. In our view, that makes it difficult to assess whether the progress being made on individual projects is sufficient to meet Te Pūkenga's key dates and milestones – especially where they are dependent on multiple work streams being delivered at once. Te Pūkenga has informed us that an overall plan and roadmap is close to completion as is its organisational strategy, which will help improve reporting and accountability. We will report on this in our next report.
39. Te Pūkenga has also recently established a Transformation and Transition Programme Board. This is comprised of ELT, some key third-tier managers, and the Director of RoVE. While it is pleasing to see this structure being established, the Programme Board will need to be clear on its scope and align this scope with what is under the 'transformation banner'. Our view, which we have communicated to Te Pūkenga, is that it should cover the totality of transformation that would be addressed in a programme plan and a detailed roadmap. This would support monitoring of progress and reporting to Council.

40. As part of ensuring appropriate governance of the transformation, the Council may want to consider its committee structure and whether that is sufficient for overseeing a transformation of this size. In other institutions implementing transformations, we have seen specific sub-committees established to oversee the transformation. We are keen that Te Pūkenga undertakes an independent review of its governance performance and structures in the near future to ensure they are appropriate.
41. We noted in our previous report that our overall impression based on reviewing the Council papers was that the Council’s focus was largely operational and process focussed. Recent papers have shown an increased focus on strategic issues. Furthermore, Te Pūkenga has informed us that it has amended its 2022 governance calendar to ensure the Council has sufficient time to consider strategic governance matters. An outstanding issue however, is that there remains three empty seats on the Council for the elected representatives of staff, students and Māori. Given Te Pūkenga has been in operation for over a year, and Te Pūkenga governance arrangements were intended to embed those voices in decision-making, we consider this needs to be resolved as soon as possible.

Key risks

42. Te Pūkenga’s Council approved a risk management framework at its May 2021 meeting, which will now be rolled out to its subsidiaries. This will ensure subsidiaries are using a common approach to identifying, managing and reporting risk. A risk advisor has also been appointed.
43. This is a positive development as a lack of risk management or reporting was evident in previous Council papers. However, a key issue for Te Pūkenga is to ensure that it not only manages risks that arise from the subsidiaries but that it also manages risks that exist across the group. This includes both risks to Te Pūkenga’s transformation and work programme as well as wider network risks that may not be raised by individual subsidiaries. We have engaged with Te Pūkenga on this issue and expect the next quarterly report to identify Te Pūkenga’s key risks and how they will be mitigated.
44. In the meantime, we have highlighted what we consider are the key risks Te Pūkenga is facing. The outlined mitigations have been provided by Te Pūkenga in its quarterly report.

Key risk	Description	Te Pūkenga response	TEC comment
Lack of capability and capacity	Te Pūkenga is not able to secure the right people with the right capability to deliver its transformation work programme, resulting in deadlines being missed and outcomes not being achieved.	<ul style="list-style-type: none"> Resources have been substantially increased over 2021, including 12 secondees from the network as well as three permanent and seven temporary employees recruited. 	<ul style="list-style-type: none"> It is pleasing that Te Pūkenga is leveraging off the knowledge in the sector. Section 9(2)(g)(i) [REDACTED] We consider that more FTEs are needed to increase capacity and effectively manage the scale of the transformation task.
Not delivering both BAU and the transformation	Te Pūkenga has to design and implement a new operating model while also managing business as-usual delivery, improving its performance, and beginning the process of changing the sector’s culture from competition to collaboration. It will be difficult to balance both work streams, and there is a risk that one, or both, are not delivered on.	<ul style="list-style-type: none"> Te Pūkenga is managing its many work streams through a clear delineation in mandates of the DCEs. There are six key transformation work streams and three core capabilities work streams. The transformation work streams are the priority designed to meet the needs of the Minister’s letter of expectations and adhere to the intent of the reforms. 	<ul style="list-style-type: none"> We have concerns that the nine work streams are being worked on as individual projects rather than being part of a wider integrated work plan that has integrated milestones. A detailed, integrated roadmap needs to be developed urgently and reported against. We consider Te Pūkenga need to obtain greater clarity on how the transformation work is being led and managed from governance down.

<p>Inter-dependencies are not well managed</p>	<p>Te Pūkenga’s ability to deliver its sought outcomes is dependent on all of the projects under its transformation programme being well managed and delivered, as well as other parts of RoVE being designed and implemented effectively and on time – including WDCs, RSLGs and the unified funding system.</p>	<ul style="list-style-type: none"> • Recruiting a dedicated risk assurance advisor to the project management team to ensure all risks are identified and managed in a consistent manner. • Engaging with the relevant stakeholders so the timings of other parts of RoVE (e.g. WDCs) are understood and potential delays can be included in the decision making processes. 	<ul style="list-style-type: none"> • We consider further work is needed to ensure clarity on how the transformation is being managed, included inter-dependencies between Te Pūkenga’s nine work streams. This includes improved risk management. • Te Pūkenga is engaging and collaborating well with the TEC and wider RoVE developments.
<p>Operating model does not deliver</p>	<p>Central to Te Pūkenga’s transformation is the development of an operating model that allows Te Pūkenga to deliver on its Charter. There is a risk that the development and implementation of a new operating model is either too slow, too costly, or does not meet stakeholder needs which would also impact on the other key areas of Te Pūkenga’s transformation and RoVE more widely.</p>	<ul style="list-style-type: none"> • Engaged EY/EY Tahī, which have experience and expertise of developing complex and transformational operating models and collaborating with stakeholders including iwi, hapū and Māori. • Agreed target dates with EY/EY Tahī for delivery. • A project business case regarding the operating model design and implementation plan is expected to be submitted to Ministers by June 2022. 	<ul style="list-style-type: none"> • Work appears promising but we remain concerned about the tight timelines for delivery of the operating model. • Other projects are inter-linked with the operating model development and are required to deliver if the operating model is to achieve its proposed benefits (e.g. capital asset strategy). • Implementation will be difficult and there are risks around what is affordable and achievable. Implementation costs at this stage are a big unknown.
<p>The required culture change is not delivered</p>	<p>There is a risk that Te Pūkenga does not put sufficient effort into changing the culture from competition to collaboration or that it does not begin these changes early enough. Without the culture change, which will be a slow process, it will be difficult to fully realise the sought benefits.</p>	<ul style="list-style-type: none"> • Te Pūkenga is regularly convening CE meetings with all 16 CEs. With employees also being seconded to Te Pūkenga from the network, there is more collaboration between the subsidiaries and sharing of knowledge and ideas. • A new risk management framework is being rolled out which will empower and support subsidiaries and ensure that they are operating on a “no surprises” basis. 	<ul style="list-style-type: none"> • It is pleasing to see that Te Pūkenga is utilising the expertise that already exists across the network and this is leading to increased collaboration. • Te Pūkenga needs to identify and deliver further initiatives that begin the long culture change needed. The challenge is ensuring these initiatives lead to a change in culture across all levels and all areas. • Mechanisms for each subsidiary could be implemented to support the transformation and change journey e.g. supporting CEs and Chairs with change champions.
<p>Lack of funding/ financial issues</p>	<p>Te Pūkenga has inherited a network which is unprofitable with COVID-19 having had a further negative impact. Given the significant transformation it has to implement, there is a high risk that it will not have sufficient funding to implement all areas of its transformation programme.</p>	<ul style="list-style-type: none"> • Monthly network financial reporting, monitoring, and reforecasting using TEC’s risk measures is in place. • Work continues with CFOs to improve the quality of data, and information is shared across the network to identify improvement opportunities. • Network cash requirements are monitored, and support can be provided as required via the group treasury function. 	<ul style="list-style-type: none"> • Te Pūkenga has put good financial reporting and monitoring arrangements in place. The key is now to ensure the capability and processes are in place to analyse financial performance and use this information to drive improvements. • As part of the implementation of the operating model, there will need to be a focus on developing a pathway towards financial sustainability.
<p>Loss of support from employers, learners and stakeholders</p>	<p>There is a risk that disruption from the reforms or if the implementation of a new operating model, including the transition of industry training, is not managed well and that support is lost, engagement in education and training reduces and the benefits of the reforms are not realised.</p>	<ul style="list-style-type: none"> • In February 2021, Te Pūkenga appointed a Director of Marketing and Communications and increased the resourcing within that department. As a result, Te Pūkenga has positioned itself to engage consistently and regularly with various stakeholders and be transparent in its dealing with industry stakeholders. 	<ul style="list-style-type: none"> • There will need to be continued and targeted engagement and communications to a wide range of stakeholders, particularly industry and learners, to reassure ongoing delivery and highlight the benefits of the reforms. This will be particularly important as the new operating model is implemented.

Next steps and future reports

45. We will next update you in August 2021 following receipt of Te Pūkenga’s quarterly report for the June 2021 quarter.
46. In the meantime, we will continue to work closely with Te Pūkenga to assist it to deliver its work programme. We are regularly engaging with Te Pūkenga across all levels and are supporting it through sharing our expertise, data and other information as required.
47. We recommend that this aide-memoire is proactively released with information withheld that is commercially sensitive and to maintain the effective conduct of public affairs through free and frank expression of opinions.



Gillian Dudgeon

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Tertiary Education Commission

14 June 2021



Hon Chris Hipkins

Minister of Education

22 / 06 / 2021